

# IRS News Release

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## **IRS Accepts Integrated Utility Company Issue for Industry Issue Resolution Program**

IR-2008-3, Jan. 3, 2008

WASHINGTON — The Internal Revenue Service and the Treasury Department today announced that they will work to publish guidance on a method for integrated utilities to use when calculating the tax deduction for domestic production of electricity and natural, as well as other production activities.

The goal is to develop an alternative method that integrated utility companies can use to compute qualified production activities under Internal Revenue Code Section 199(c).

“Providing taxpayers an optional method to comply with a very complex area of the law serves the primary purposes of the Industry Issue Resolution Program (IIR), which provides taxpayers with the guidance that will produce tax certainty and mitigate potential tax controversy,” said Frank Y. Ng, Commissioner of the IRS Large and Mid-Size Business Division.

By selecting the issue for the IIR program, the IRS hopes to clear up concerns about a possible inconsistency among integrated utilities in their approach to computing the deduction for domestic production. To properly compute the section 199 deduction, integrated utility companies are required to determine their domestic production gross receipts, cost of goods sold and direct expenses.

Since its inception in 2000, the IIR program has resulted in resolution of many different tax issues cumulatively affecting thousands of taxpayers in many different lines of business. For each issue selected, a multi-functional team gathers and analyzes the relevant facts and recommends guidance.

At any time, business associations and taxpayers may submit business tax issues that they believe could be resolved through the IIR program. IIR project selection criteria and submission procedures are outlined in Revenue Procedure 2003-36, which is available on the IRS Web site at IRS.gov. The IRS reviews submissions at least semi-annually, with the next review to be on submissions received by March 31, 2008.

Attached is detailed information regarding the issues the IRS considered during its latest review of IIR submissions.

ISSUE SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - SELECTED AS A 2007 IIR PROJECT	
<b>Utility Industry</b>	
<b>Issue Description:</b> Optional method for calculating domestic production gross receipts, costs of goods sold, or direct expenses for integrated utilities  <b>IRS Contact:</b>  Emile Robertson Acting, Director, Field Operations, NRC East Natural Resources and Construction  Phone # 504-558-3239	<b>Submitted by:</b> KPMG LLP

ISSUE SUBMISSIONS FOR THE IIR PROGRAM REVIEWED - <u>NOT</u> SELECTED AS A 2007 IIR PROJECT	
<b>Financial Services Industry</b>	
<b>Issue Description:</b> 30 Day Grace Period under Regulations Section 31.3406(d)-3 to Provide Certified TINs.	<b>Submitted by:</b> Wachovia Corporation
<b>Estate and Gift</b>	
<b>Issue Description:</b> Basis Step Up for Joint Trusts	<b>Submitted by:</b> Investors' Security Trust Company
<b>Cross Industry</b>	
<b>Issue Description:</b> Substantiation requirements for cell phones and other communications equipment	<b>Submitted by:</b> Miller & Chevalier Chartered.